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TO AMEMBASSY WARSAW

C O N F I D E N T I A L STATE 229459

E.O. 11652: GDS

TAGS: ETRD, CVIS, PO, GDS

SUBJECT: DEPUTY PREMIER OLSZEWSKI'S CALL ON ACTING
SECRETARY ROBNSON

1. ACTING SECRETARY RECEIVED DEPUTY PREMIER OLSZEWSKI
SEPTEMBER 14 FOR ONE-HOUR DISCUSSION ON BILATERAL ECONOMIC
RELATIONS, POLISH DOMESTIC PROBLEMS, AND DIVIDED FAMILIES
ISSUE. ALSO PRESENT WERE SPECIAL ASSISTANTS JOAN BRADEN,
DONALD TICE AS WELL AS POLISH AMBASSADOR AND MFA NORTH
AMERICAN DIRECTOR KINAST.

2. OLSZEWSKI SAID FIRST SESSIONS OF AMERICAN-POLISH TRADE
COMMISSION WERE GOING WELL. DURING HIS MEETINGS WITH
SECRETARIES SIMON AND RICHARDSON, HE RAISED ALL ITEMS
INFLUENCING BILATERAL RELATIONS. FIRST HE MENTIONED THAT
TWO-WAY TRADE IN 1976 WOULD REACH \$1.2 BILLION. POLES
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WERE GRATIFIED THAT IMPORTS FROM US INCLUDED CAPITAL GOODS,

INDUSTRIAL EQUIPMENT AND TURNKEY PLANTS. HE EXPRESSED APPRECIATION FOR DEPARTMENT'S EFFORTS IN REMOVING OBSTACLES TO THE LICENSING OF SOME ITEMS FOR POLAND. WHILE GRATIFIED BY INCREASE IN TRADE LEVEL, OLSZEWSKI SAID POLES WERE PERPLEXED BY WORSENING BALANCE OF TRADE WHICH THIS YEAR WOULD REACH ABOUT \$600 MILLION. POLES ARE ALL THE MORE

INTERESTED IN ACCESS TO US MARKETS AND HOPE TO EXPAND EXPORTS RATHER THAN CUT BACK IMPORTS. FOR THIRD YEAR IN A ROW, CLIMATIC CONDITIONS HAD DAMAGED GRAIN CROP AND POLAND INTENDS TO BUY 400 MILLION TONS OF GRAIN IN US THIS YEAR FOR WHICH THEY HOPE TO OBTAIN CCC CREDITS OF \$200 MILLION. OLSZEWSKI ALSO MADE PITCH FOR SIGNING AIRWORTHINESS AGREEMENT DURING THIS SESSION OF THE COMMISSION. RE GOLF CARS, OLSZEWSKI EXPRESSED CONCERN ABOUT PRECEDENT-SETTING CHARACTER OF THIS CASE AND ITS IMPACT ON POLISH ABILITY TO ENTER THE US MARKET. HE ALSO EXPRESSED THANKS FOR THE RETURN TO POLAND OF GOLD BELONGING TO THE FREE CITY OF DANZIG.

3. OLSZEWSKI DISCUSSED POLISH DOMESTIC ECONOMIC DEVELOPMENT GOALS AT SOME LENGTH, EXPLAINING THE NECESSITY OF RAISING FOOD PRICES AND THE RESISTANCE OF THE POLISH PEOPLE TO THE GOVERNMENT'S DECISION. THE GOP IS CHANGING ITS APPROACH IN ITS DOMESTIC ECONOMIC POLICY TO CUT BACK ON DOMESTIC INVESTMENT, TO CONCENTRATE ALL ITS MEANS ON FINISHING PROJECTS ALREADY UNDER WAY, TO LIMIT THE GROWTH OF EMPLOYMENT AND ACHIEVE INCREASES IN INDUSTRIAL OUTPUT THROUGH INCREASES IN PRODUCTIVITY. IT ALSO EXPECTS PAST INVESTMENTS IN INDUSTRIAL PLANTS TO BEGIN PAYING OFF. THEREBY POLAND HOPES TO MEET ALL ITS EXTERNAL OBLIGATIONS IN THE FUTURE AS IN THE PAST. OLSZEWSKI ALSO DESCRIBED THE INEFFICIENCY OF AGRICULTURE AND DECISION TO RAISE THE MAXIMUM LIMITS ON THE SIZE OF INDIVIDUAL FARMS.

4. REFERRING IN PASSING TO THE LONG-TERM AGREEMENT WHICH HAD NEGOTIATED WITH THE SOVIET UNION AND TO THE TEMPORARY MORATORIUM ON POLISH GRAIN PURCHASES LAST YEAR, THE DEPUTY SECRETARY EMPHASIZED US DESIRE TO HELP MEET POLISH LONG-TERM NEEDS FOR GRAIN AND SAID THE US LOOKS TO MAKING UP

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ANY DEFICIENCIES WHICH MAY EXIST AS RESULT OF INSUFFICIENT SOVIET DELIVERIES. NOTING THAT POLAND WAS THE SECOND LARGEST CUSTOMER FOR CCC CREDITS, THE ACTING SECRETARY SAID WE WILL WANT TO WORK IN COOPERATION WITH THE POLES AND WILL GIVE THEIR REQUEST MOST SERIOUS CONSIDERATION. RE GOLF CARS, THE DEPUTY SECRETARY REFERRED TO THE VERY HELPFUL RECENT DEVELOPMENTS IN THIS AREA WHICH WE HOPE WILL ENCOURAGE TRADE. HE ALSO WELCOMED POLISH ABILITY TO

FIND NEW MARKETS, AS IN EXAMPLE OF AIRCRAFT ENGINES.

5. THE ACTING SECRETARY SAID WE RECOGNIZED THE DIFFICULTY THAT POLAND HAD IN RAISING FOOD PRICES TO A REASONABLE LEVEL AND RECOGNIZED THE BURDEN TO THE STATE OF TOO LOW PRICES WHICH SUBSIDIZE THE CONSUMER POPULATION. HE SAID

WE WILL BE WATCHING POLISH ATTEMPTS TO MOVE IN THE DIRECTION OF A REASONABLE PRICE STRUCTURE. HE EXPRESSED AWARENESS OF THE INCREASING LEVEL OF DEBT WHICH POLAND HAD ACCEPTED IN ORDER TO PROMOTE THE DEVELOPMENT PROGRAM AND HOPED IT WOULD EMBARK ON A SOUND PROGRAM OF EXPANDING EXPORTS IN ORDER TO MAINTAIN THE NECESSARY LEVEL OF IMPORT. HE SAID OLSZEWSKI'S DISCUSSIONS WITH SECRETARIES SIMON AND RICHARDSON WILL BE HELPFUL FROM OUR STANDPOINT.

6. ACTING SECRETARY ASKED ABOUT ANTICIPATED POLISH GRAIN IMPORTS FROM THE SOVIET UNION. OLSZEWSKI SAID THE CROPS IN KAZAKHSTAN LOOKED BETTER THIS YEAR BUT THE FINAL VERDICT WILL ONLY COME AT THE END OF OCTOBER. THE UKRAINE, LIKE WESTERN EUROPE, WAS AFFECTED BY DROUGHT. IF THE WEATHER ELSEWHERE REMAINS FAIRLY GOOD, THE SOVIET UNION PROMISED TO SELL GRAIN TO POLAND. BUT UNTIL THE END OF OCTOBER, POLAND CAN'T BE SURE.

7. ACTING SECRETARY SAID THAT ANOTHER MATTER OF INTEREST TO US, IN FACT OF GREAT CONCERN TO US, WAS THAT OF DIVIDED FAMILIES. HE WANTED TO STRESS IT IN THE CONTEXT OF OUR OVERALL BILATERAL RELATIONS. OLSZEWSKI REPLIED THAT HE HAD NOT BEEN PERSONALLY INVOLVED IN THIS MATTER BUT PLEDGED TO LOOK INTO IT WHEN HE RETURNED TO POLAND. HE MENTIONED WHAT HE CALLED "OBSTACLES" IN THIS AREA. FOR EXAMPLE, THE IMPLEMENTATION OF THE POLISH AGREEMENT WITH THE FRG UNDER CONFIDENTIAL

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WHICH 2,000 PERSONS A MONTH ARE EMIGRATING. IN ADDITION PEOPLE ARE EMIGRATING TO AUSTRALIA, NEW ZEALAND, THE UK, FRANCE, CANADA AND OTHER COUNTRIES. HE UNDERSTOOD, HOWEVER, THAT DURING THE FIRST EIGHT MONTHS OF THIS YEAR THE TOTAL NUMBER OF PEOPLE EMIGRATING TO THE US WAS HIGHER THAN FOR THE SAME PERIOD LAST YEAR. HE TOUCHED ON POLAND'S DISINTEREST IN LOSING YOUNG PEOPLE WHO HAVE RECEIVED EDUCATION AND PROFESSIONAL TRAINING AT THE COST OF POLISH SOCIETY. HE ALSO DRAWS A DISTINCTION BETWEEN THE CASES WHICH CAN REALLY BE DESCRIBED AS FALLING UNDER THE TERM "DIVIDED FAMILIES" AND CASES WHERE THE FAMILY RELATIONSHIP IS MORE DISTANT. NEVERTHELESS, HE SAID POLAND WILL DO ITS UTMOST TO DO NOTHING WHICH WOULD JEOPARDIZE BILATERAL RELATIONS. HABIB

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